



# China Mobile Payment Industry Report, 2010- 2011

Jun 2011

## ***This report***

- ◆ **Analyzes the development and business model of mobile payment industry**
- ◆ **Focuses on China mobile payment industry chain Business Model**
- ◆ **Highlights the operation of key enterprises of mobile payment industry.**

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## Abstract

Chinese mobile payment industry has progressed rapidly since 2011. The penetration rate of Chinese mobile payment market was merely 18.5% in 2010, and it will hit 25.8% in 2011; while the market size and transaction value turned out to be respectively RMB2.845 billion and RMB10.42 billion in 2010, but the former will rise 97.7% to RMB5.625 billion and the latter is predicted to expand 308.6% to RMB42.16 billion in 2011.

Chinese mobile payment industry involves mobile operators, financial institutions, the third-party payment operators, and various device manufacturers, with multiple cooperation forms. The gaming between the dominant China Mobile and China UnionPay will bring along the long-term coexistence of parallel model and integration model. In terms of parallel model, China Mobile develops payment platform based mobile payment business by virtue of the existing mobile accounts or establishing single accounts; while China UnionPay adopts bank card binding and the settlement via the cooperated payment platforms.

As for integration model, China Mobile and China UnionPay have reached an agreement to set up the joint account and payment platform and practice the profit sharing by certain proportion.

In May 2011, China UnionPay and the Top 3 operators unanimously agreed on the technical standards of mobile payment: near-field payment employs NFC standard (13.56MHz), while 2.4GHz plan is merely for closed application environment and not allowed in financial circulation sector. The 2.4GHz RF-SIM technology highlighted by China Mobile will fade from the mobile payment stage.

NFC-SD, the mobile payment standard product of China UnionPay, came into Chengdu market in April 2011. Such commercial banks as Bank of Communications and Huaxia Bank have collaborated with China UnionPay and launched NFC mobile payment business.

Considering the telecommunication operators, China Mobile has transferred its mobile payment plan to NFC (13.56MHz) from RF-SIM (2.4GHz), and its bank partner is Shanghai Pudong Development Bank (SPD Bank). China Unicom has chosen the SIMpass (13.56MHz) solution of Watchdata and its cooperative banks cover Pingan Bank, Huaxia Bank, and Industrial Bank. China Telecom also emphasizes SIMpass (13.56MHz) provided by Watchdata and has released Tianyi Great Wall Card with Bank of China.

Among the first group of 27 enterprises who have obtained the third-party payment license, there are four UnionPay series enterprises, i.e. Beijing Unionpay Merchant Services Co., Ltd., Beijing Digital Wangfujing Technology Co., Ltd., Shanghai ChinaPay E-Payment Service Co., Ltd, and Guangzhou UnionPay, while UMPay under China Mobile is not nominated. 11 enterprises are qualified for mobile payment business.

With provision for the manufacturers of mobile payment hardware devices, Fudan Microelectronics and Nationz Technologies are the major suppliers of NFC chip solutions and RF-SIM chip solutions, respectively:

Hengbao and Watchdata mainly offers 13.56MHz mobile payment card; Shenzhen Netcom Electronics Co., Ltd., Hanyin Technology, Westone, etc. are the providers of NFC-SD card solutions.

Jiangsu Changjiang Electronics Technology Co., Ltd (JCET), the major manufacturer of mobile payment card packaging in China, enjoys more than 70% share in RF-SIM card packaging market, and it initiated the mass production of 13.56MHz card in 2011.

Fujitsu Microelectronics mainly provides the packaging and testing services of SD card.

The POS terminals produced by Nantian Information, the manufacturer of read-write devices, are compatible with RF-SIM and NFC based mobile phones; and those of ZhengTong Electronics can support RF-SIM card and NFC-SD card at the same time.

### **1. Overview of Mobile Payment**

- 1.1 Definition and Classification
- 1.2 Technical Standards
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  - 5.1.2 Others
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  - 5.2.1 Hengbao (002104)
  - 5.2.2 Watchdata
  - 5.2.3 Eastcompeace
  - 5.2.4 Shanghai COS Software Co., Ltd
  - 5.2.5 Wuhan Tianyu Information Industry Co., Ltd. (Tianyu) (300205)
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